

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 AF-10 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /155 W

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R 281700Z MAY 74

FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 2789

INFO AMEMBASSY RABAT

C O N F I D E N T I A L CASABLANCA 420

E.O. 11652: GDS

TAGS: ENRG, MO

SUBJ: MOROCCANIZATION OF OIL INDUSTRY

REF: CASABLANCA 342

1. SUMMARY: NEW MOROCCAN MANAGER OF MOBIL MAROC MET WITH COMMERCE MINISTER ON MOROCCANIZATION OF OIL. MINISTER WAS FRIENDLY AND INSISTED NEGOTIATION WILL BE MUTUALLY SATISFACTORY AND GOM WANTS AND NEEDS COMPANIES TO RUN AND EXPAND OIL INDUSTRY IN MOROCCO. MOROCCANIZATION WILL BE ON BASIS MARKET VALUE AND OPERATIONAL MANAGEMENT WILL NOT BE CHALLENGED. HOWEVER, RESERVE STOCKS WILL BE REVALUED AND NO SPECIAL REPATRIATION OF PROCEEDS WILL BE PERMITTED. NEW SNPP DIRECTOR DESIGNATED; CHARACTERIZED BY OIL REPS AS TOUGH AND UNFRIENDLY TO COMPANIES. END SUMMARY.

2. MOULAY ABDULLAH ALAOUI, MANAGING DIRECTOR DESIGNATE, MOBIL MAROC MET WITH COMMERCE MINISTER GHISASSI THIS WEEK TO DISCUSS POINTS RAISED IN RECENT MOBIL/France LETTER (GPS POUCHED) TO PM. MOBIL LETTER RESULTED FROM RECENT AGREEMENT OF FOREIGN COMPANIES TO SUBMIT PARALLEL LETTERS (REFTEL). MOBIL LETTER ACCEPTED WITHOUT QUALIFICATION THE
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PRINCIPLE OF MOROCCANIZATION BUT RAISED NUMBER OF IMPORTANT

POINTS RE APPLICATION.

3. GHISASSI WAS CORDIAL, RESPONSIVE, AND EMPHASIZED REPEATEDLY THAT GOM VALUES AND NEEDS CONTINUED PARTICIPATION OF FOREIGN COMPANIES; HOPES FOR EXPANDED ACTIVITIES OF JOINT (BUT SEPARATE) COMPANIES IN, E.G., REFINING, "RESEARCH", PETROCHEMICALS; AND IS COMMITTED TO FRIENDLY NEGOTIATION SATISFACTORY TO BOTH SIDES. HE SAID GOM BUYING IN ONLY BECAUSE PRIVATE MOROCCAN PARTICIPATION "UNFEASIBLE", SAID MOROCCO DID NOT HAVE KNOWHOW OR TALENT TO RUN INDUSTRY. HE SAY NO REASON JOINT OPERATIONS SHOULD NOT BE HARMONIOUS POINTING OTHER EXAMPLES (E.G. MIDEAST PRODUCING COMPANIES).

4. ON SPECIFIC POINTS, GHISASSI SAID REVALUATION OF RESERVE STOCKS IS FIRM DECISION, CITED ALLEGED SIMILAR ACTION BY ITALY, BELGIUM, TURKEY AS PRECEDENT. MOROCCANIZATIONS WILL BE ON BASIS OF MARKET VALUE OF ASSETS, INCLUDING REVALUED RESERVE STOCKS. GOM WILL PAY IN DIRHAMS ITS 50 PERCENT SHARE AND COMPANIES WILL THEN PAY CAISSE THE REVALUATION "WINDFALL" AMOUNTS.

5. IN MOBIL'S CASE, ALAOUI ESTIMATES COST OF RESERVE STOCKS AT \$1.6 MILLION, MARKET VALUE OF ASSETS PRE-REVALUATION AT \$11 MILLION. THUS TOTAL VALUE OF ASSETS AFTER 3.8 MULTIPLE REVALUATION OF STOCKS ABOUT \$16 MILLION PLUS, GOM BUY IN COST ABOUT \$8 MILLION, COMPANY PAYMENT TO CAISSE \$4.5 MILLION, SO COMPANY LEFT AT END OF PROCESS WITH \$8 MILLION EQUITY (I.E. 50 PERCENT AT MARKET) AND \$3 MILLION PLUS IN CASH (DIRHAMS) THUS NO NOMINAL LOSS OF ASSETS.

6. GOM WILL MAKE NO SPECIAL CONCESSIONS TO PERMIT REPATRIATION OF PROCEEDS OF MOROCCANIZATION, BEYOND PRIOR AGREEMENT EACH COMPANY MAY HAVE BILATERALLY WITH GOM (GHISASSI URGED DESIRABILITY OF COMPANIES INVESTING PROCEEDS IN EXPANDED ACTIVITIES REFERRED TO EARLIER). RE SUCH QUESTIONS AS RENEGOTIATION PROFIT MARGINS TO PERMIT ADEQUATE RETURN ON INCREASED CAPITAL, GHISASSI DEFERRED THESE TO DETAILED COMPANY-BY-COMPANY NEGOTIATIONS BUT INSISTED SOLUTIONS TO DETAIL PROBLEMS WOULD BE EQUITABLE. HE ASSURED THAT GOM HAS NO DESIRE TAKE OVER OPERATIONAL CONTROL, WILL LEAVE CONFIDENTIAL

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DIRECT MANAGEMENT TO PRESENT COMPANY STAFFS.

7. ALAOUI APPOINTMENT AS MANAGER MOBIL IS, SO FAR AS WE KNOW, FIRST CASE OF AMERICAN COMPANY HERE WITH TOP MANAGER MOROCCAN; MOBIL MANAGEMENT NOW COMPLETELY MOROCCANIZED. (HE CLAIMS GHISASSI EXPRESSED GRATIFICATION AND HOPE OTHER COMPANIES WILL FOLLOW SUIT.) HE IMPRESSES US AS BRIGHT, KNOWLEDGEABLE BUT NOT FORCEFUL. ALAOUI IS AMB. SENOUSSEI'S BROTHER-IN-LAW,

SAYS HE GOT MEETING WITH GHISASSI THROUGH "PERSONAL CHANNELS" --
I.E. SENOUSSE INTERVENTION -- AND ASKED THAT INFO ABOVE
NOT BE SHARED WITH OTHER COMPANIES. HE ALSO SAYS SENOUSSE
ASSURED HIM HE HAD DISCUSSED OIL MOROCCANIZATION IN WASHINGTON
AND US OFFICIALS ACCEPTED BASIC PRINCIPLE WITH EQUANIMITY.
ALAOUI CLEARLY EXPECTS HIS STATUS AS MOROCCAN TO GIVE MOBIL
SPECIAL CLOUT IN FORTHCOMING NEGOTIATIONS.

8. IN RELATED DEVELOPMENT, GOM MAY 23 APPOINTED MOHAMED
DOUIEB AS DIRECTOR GENERAL OF NEW SOCIETE NATIONALE DES PRODUITS
PETROLIERS WHICH WILL PROBABLY MAKE HIM KEY FIGURE IN NEGOTIATIONS.
DOUIEB IS FORMER DIRECTOR OF OFFICE IN COMMERCE MINISTRY
WHICH INCLUDES OVERSIGHT OF OIL INDUSTRY, IS 34 YEAR-OLD
FRENCH-TRAINED MINING ENGINEER FROM FEZ. EMBASSY HAS FOUND
HIM IN PAST TO BE FRIENDLY AND COOPERATIVE. HOWEVER, OIL
COMPANY REPS HERE WHO KNOW HIM WELL ARE NOT HAPPY WITH APPOINTMENT.
THEY DEPICT HIM AS TOUGH, OPINIONATED, UNFRIENDLY TO PRIVATE
OIL COMPANIES, AND LIKELY TO BE HARD MAN TO NEGOTIATE WITH.
THEY ALLEGE HE WAS ONE OF ORIGINAL PROPONENTS AND A HAWK
IN DRAFTING OF OIL DAHIR AND WAS ADVOCATE OF 100 PERCENT
NATIONALIZATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CASABL00420
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740134-0720
From: CASABLANCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740515/aaaaamvg.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: CASABLANCA 342
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 AUG 2002 by izenbei0>; APPROVED <19 MAR 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOROCCANIZATION OF OIL INDUSTRY
TAGS: ENRG, MO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005